

**OKOBOJI
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2006

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OKOBOJI COMMUNITY SCHOOL DISTRICT

OFFICIALS

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|-------------|--------------|---------------------|
|-------------|--------------|---------------------|

BOARD OF EDUCATION

(Before September, 2005 Election)

| | | |
|-------------|----------------|------|
| Tom Clary | President | 2005 |
| Ryan Rohlk | Vice President | 2007 |
| Mike Chozen | | 2006 |
| Mark Fisher | | 2005 |
| Phil Miklo | | 2007 |

(After September, 2005 Election)

| | | |
|-------------------|----------------|------|
| Ryan Rohlk | President | 2007 |
| Mike Chozen | Vice President | 2006 |
| Markham Hale | | 2008 |
| Christopher Stein | | 2008 |
| Phil Miklo | | 2007 |

SCHOOL OFFICIALS

| | |
|---------------|----------------------------------|
| Robert Miller | Superintendent |
| Katy Sporrer | District Secretary/ Treasurer |

To The Board of Education of the
Okoboji Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Okoboji Community School District, Milford, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Okoboji Community School District as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated September 14, 2006 on our consideration of Okoboji Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 33 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Okoboji Community School District's basic financial statements. We previously audited in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2005 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The financial statements for the two years ended June 30, 2004 (none of which are presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BRUCE D. FRINK
Certified Public Accountant

September 14, 2006

OKOBOJI COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Okoboji Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$7,456,682 in fiscal 2005 to \$8,192,472 in fiscal 2006 (10% increase), while General Fund expenditures increased from \$7,501,869 in fiscal year 2005 to \$8,106,786 in fiscal 2006 (8% increase).
- The increase in General Fund revenues was attributable to an increases in miscellaneous revenues and federal grants. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits as well as federal grant increases. The General Fund balance increased 11% over the prior year.
- The School Infrastructure Local Option Sales Tax continues to generate funds for the District. These monies are being used for construction and improvement of district facilities. This tax allows the District to update its facilities without raising property taxes.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.
- The statements for governmental funds explain how basic services, such as regular and special education, were financed in the short term, as well as what remains for future spending.
- The statement for proprietary funds offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Okoboji Community School District

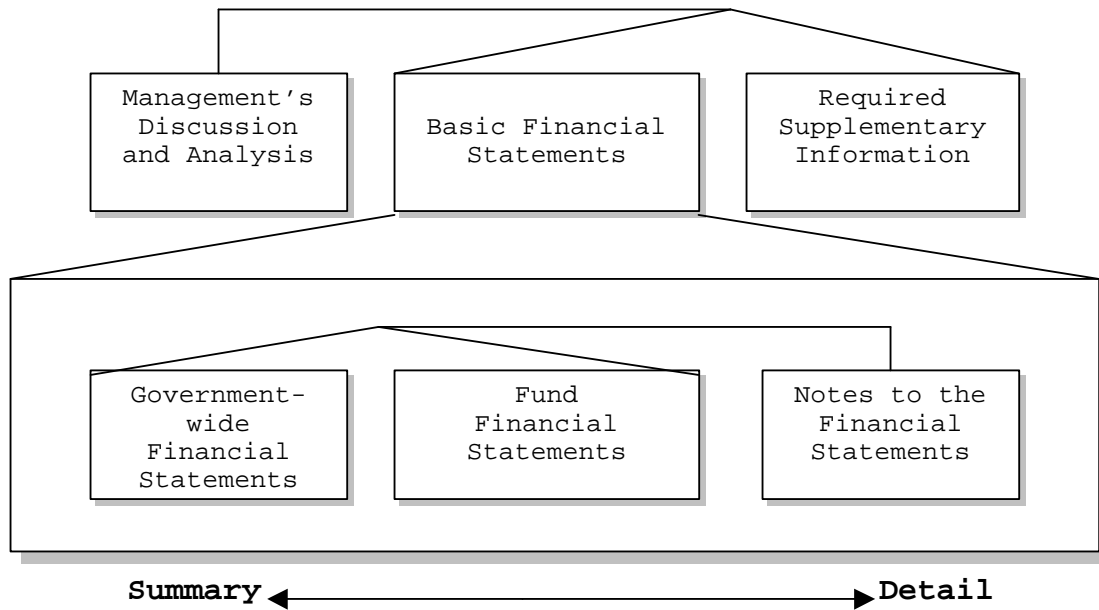


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

| Figure A-2 | | | | |
|--|--|--|--|---|
| Major Features of the Government-wide and Fund Financial Statements | | | | |
| | Government-wide Statements | Fund Financial Statements | | |
| | | Governmental Funds | Proprietary Funds | Fiduciary Funds |
| Scope | Entire District (except fiduciary funds) | The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance | Activities the District operates similar to private businesses; food services and adult education | Instances in which the district administers resources on behalf of someone else, such as scholarship programs |
| Required financial statements | <ul style="list-style-type: none"> • Statement of net assets • Statement of activities | <ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances | <ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows | <ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital, short-term and long-term | Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included | All assets and liabilities, both financial and capital, short-term and long-term | All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can |
| Type of inflow/outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter | All revenues and expenses during the year, regardless of when cash is received or paid | All additions and deductions during the year, regardless of when cash is received or paid |

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The two government-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating respectively.
- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the District's activities are divided into two categories:

- **Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- **Business-type activities:** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.
- 2) **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The District's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trusts.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund. The District currently has two fiduciary funds, the Scholarship Fund and the Needs Fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2006 compared to June 30, 2005.

Figure A-3
Condensed Statement of Net Assets
(expressed in thousands)

| | Governmental Activities | | Business-type Activities | | Total School District | | Percentage Change |
|--|----------------------------|---------------|-----------------------------|------------|--------------------------|---------------|----------------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2005-2006 |
| | \$ | \$ | \$ | \$ | \$ | \$ | % |
| Current assets | 9,276 | 9,220 | 113 | 108 | 9,389 | 9,328 | 0.65% |
| Capital assets | 13,033 | 12,590 | 78 | 79 | 13,111 | 12,669 | 3.37% |
| Total assets | <u>22,309</u> | <u>21,810</u> | <u>191</u> | <u>187</u> | <u>22,500</u> | <u>21,997</u> | <u>2.24%</u> |
| Current liabilities | 7,430 | 6,593 | - | - | 7,430 | 6,593 | 11.27% |
| Non-current liabilities | 3,904 | 4,838 | - | - | 3,904 | 4,838 | -23.92% |
| Total liabilities | <u>11,334</u> | <u>11,431</u> | <u>-</u> | <u>-</u> | <u>11,334</u> | <u>11,431</u> | <u>-0.86%</u> |
| Net Assets | | | | | | | |
| Invested in capital assets, net of related debt | 9,472 | 8,055 | 78 | 79 | 9,550 | 8,134 | 14.83% |
| Restricted | 568 | 1,512 | - | - | 568 | 1,512 | -166.20% |
| Unrestricted | 935 | 812 | 113 | 108 | 1,048 | 920 | 12.21% |
| Total net assets | <u>10,975</u> | <u>10,379</u> | <u>191</u> | <u>187</u> | <u>11,166</u> | <u>10,566</u> | <u>5.37%</u> |

Total net assets increased over 5% due primarily to three factors - continued collection of local option sales tax, continued investment by the District in its capital assets and an 11% increase in the General Fund. Purchases of capital assets require current resources. However, their cost is spread out over the useful life of the asset. The General Fund increased due to additional revenue sources becoming available as well as careful monitoring of expenses.

Changes in net assets - figure A-4 shows the changes in net assets for the year ended June 30, 2006 and 2005.

Figure A-4
Change in Net Assets
(expressed in thousands)

| | Governmental Activities | | Business-type Activities | | Total School District | | Total Change |
|---|----------------------------|--------------|-----------------------------|------------|-----------------------------|--------------|-----------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2005-06 |
| | \$ | \$ | \$ | \$ | \$ | \$ | |
| Revenues: | | | | | | | |
| Program revenues: | | | | | | | |
| Charges for service and sales | 477 | 430 | 166 | 188 | 643 | 618 | 4.05% |
| Operating grants, contributions and restricted interest | 1,165 | 970 | 149 | 128 | 1,314 | 1,098 | 19.67% |
| General revenues: | | | | | | | |
| Property tax | 5,834 | 5,235 | - | - | 5,834 | 5,235 | 11.44% |
| Income surtax | 135 | 87 | - | - | 135 | 87 | 55.17% |
| Local option sales tax | 900 | 1,193 | - | - | 900 | 1,193 | -24.56% |
| Unrestricted state grants | 1,470 | 1,694 | - | - | 1,470 | 1,694 | -13.22% |
| Unrestricted investment earnings | 61 | 34 | - | - | 61 | 34 | 79.41% |
| Other | 75 | 10 | - | - | 75 | 10 | 650.00% |
| Total revenues | <u>10,117</u> | <u>9,653</u> | <u>315</u> | <u>316</u> | <u>10,432</u> | <u>9,969</u> | <u>4.64%</u> |
| Program expenses: | | | | | | | |
| Governmental activities: | | | | | | | |
| Instruction | 5,548 | 5,324 | - | - | 5,548 | 5,324 | 4.21% |
| Support Services | 2,872 | 2,192 | - | - | 2,872 | 2,192 | 31.02% |
| Non-instructional programs | - | - | 312 | 308 | 312 | 308 | 1.30% |
| Other expenses | <u>1,102</u> | <u>1,038</u> | <u>-</u> | <u>-</u> | <u>1,102</u> | <u>1,038</u> | <u>6.17%</u> |
| Total expenses | <u>9,522</u> | <u>8,554</u> | <u>312</u> | <u>308</u> | <u>9,834</u> | <u>8,862</u> | <u>10.97%</u> |
| Change in net assets | <u>595</u> | <u>1,099</u> | <u>3</u> | <u>8</u> | <u>598</u> | <u>1,107</u> | <u>-45.98%</u> |

Property tax and unrestricted state grants account for 70% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 89% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$10,116,978 and expenses were \$9,522,302.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities
(expressed in thousands)

| | Total Cost of Services | | Net Cost of Services | | Net Change |
|------------------|---------------------------|--------------|-------------------------|--------------|---------------|
| | 2006 | 2005 | 2006 | 2005 | 2005-06 |
| | \$ | \$ | \$ | \$ | % |
| Instruction | 5,548 | 5,324 | 4,241 | 4,251 | -0.24% |
| Support Services | 2,872 | 2,192 | 2,854 | 2,175 | 31.22% |
| Other expenses | <u>1,102</u> | <u>1,038</u> | <u>786</u> | <u>728</u> | <u>7.97%</u> |
| Totals | <u>9,522</u> | <u>8,554</u> | <u>7,881</u> | <u>7,154</u> | <u>10.16%</u> |

- The cost financed by users of the District's programs was \$476,789.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$615,437.
- The net cost of governmental activities was financed with \$5,834,623 in property tax, and \$1,470,117 in state foundation aid.

Business-Type Activities

Revenues of the District's business-type activities were \$314,760 and expenses were \$311,585. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2006, the balance in the School Nutrition Fund increased by 2%.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted Okoboji Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$10,974,208, a six percent increase over last year's ending fund balances of \$10,379,532. The primary reasons were the use of current revenues to acquire capital assets that will continue to serve the District over an extended period of time and continued accumulation of sales tax revenues for property tax relief and school infrastructure project.

Governmental Fund Highlights

- The District's General Fund balance increased despite a sharp dip in enrollment. Additional Federal aid and income surtax increases made up for reductions in state aid. Allowable growth of 4% is inadequate to maintain current programs without dipping into reserves.
- The District continues to improve its facilities primarily through the use of local option sales tax revenues.
- The District's resident enrollment increased by 10 students. Also, the district had a net gain of 13 open enrollment students.
- PPEL monies were used for a variety of projects throughout the District spending more than revenues received was part of the District's planning.

Proprietary Fund Highlights

The School Nutrition fund increased 2% during the year. The Nutrition Fund completed a third straight year of not requiring assistance from the General Fund.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 35 and 36. The District did not exceed budgeted amounts nor did it exceed its statutory spending authority.

Legal Budgetary Highlights

The District's receipts were over \$350,000 less than budgeted receipts, a variance of 3%. The most significant variance resulted from the District receiving less Federal and State aid than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$13.1 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 3% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$604,005.

The original cost of the District's capital assets was \$19,819,335. Governmental funds account for \$19,543,400, with the remainder of \$275,935 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Condensed Statement of Net Assets
(expressed in thousands)

| | Governmental Activities | | Business-type Activities | | Total School District | | Total Change |
|--------------------------|----------------------------|---------------|-----------------------------|-----------|--------------------------|---------------|-----------------|
| | June 30, | | June 30, | | June 30, | | June 30, |
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2005-2006 |
| | \$ | \$ | \$ | \$ | \$ | \$ | |
| Land | 249 | 137 | - | - | 249 | 137 | 81.75% |
| Site improvements | 667 | 303 | - | - | 667 | 303 | 120.13% |
| Buildings | 10,874 | 11,745 | - | - | 10,874 | 11,745 | -7.42% |
| Furniture and equipment | 644 | 404 | 78 | 79 | 722 | 483 | 49.48% |
| Construction in progress | 599 | - | - | - | 599 | - | 100.00% |
| Totals | <u>13,033</u> | <u>12,589</u> | <u>78</u> | <u>79</u> | <u>13,111</u> | <u>12,668</u> | <u>3.50%</u> |

Long-Term Debt

At June 30, 2006, the District had over \$3.9 million in general obligation bonds, revenue bonds and other long-term debt outstanding. This represents a decrease of approximately 8% from last year (See Figure A-7).

General obligation bonds will be fully retired in fiscal year 2007, the District benefited from having the local banks purchase revenue bonds. The District is paying less interest expense and has a much less complicated system of repayment.

Figure A-7
Outstanding Long-Term Obligations
(expressed in thousands)

| | Total | | Total |
|--------------------------|----------|-------|-----------|
| | District | | Change |
| | June 30, | | June 30, |
| | 2006 | 2005 | 2005-2006 |
| | \$ | \$ | |
| General obligation bonds | 185 | 550 | -66.36% |
| Early retirement | 343 | 303 | 13.20% |
| Revenue bonds | 3,377 | 3,985 | -15.26% |
| Total | 3,905 | 4,838 | -19.28% |

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The District had increased enrollment for the first time in the past several years. Allowable growth of 4% is inadequate to maintain existing programs without dipping into reserves.
- Health insurance continues to be a very costly item to the District. The District continues to explore options for more affordable coverage.
- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.
- The legislature is proposing a statewide one-cent sales tax for schools. This will have a major impact on the District's equipment and infrastructure purchases.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Katy Sporrer, Business Manager, Okoboji Community School District, 1205 7th Street, Milford, IA 51351.

Basic Financial Statements

OKOBOJI COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2006

| | Governmental Activities | Business Type Activities | Total |
|---|----------------------------|-----------------------------|-------------------|
| | \$ | \$ | \$ |
| Assets | | | |
| Cash and pooled investments | 2,485,831 | 101,473 | 2,587,304 |
| Receivables: | | | |
| Property tax | | | |
| Current year | 49,244 | - | 49,244 |
| Succeeding year | 6,450,596 | - | 6,450,596 |
| Income surtax - succeeding year | 85,212 | - | 85,212 |
| Due from other governments | 201,755 | - | 201,755 |
| Other receivables | 2,962 | - | 2,962 |
| Inventories | - | 11,695 | 11,695 |
| Capital assets, net of accumulated depreciation (note 3) | 13,033,223 | 77,553 | 13,110,776 |
| Total assets | <u>22,308,823</u> | <u>190,721</u> | <u>22,499,544</u> |
| Liabilities | | | |
| Accounts payable | 263,659 | 3 | 263,662 |
| Accrued payroll and benefits | 715,121 | - | 715,121 |
| Accrued interest payable | 293 | - | 293 |
| Deferred revenue: | | | |
| Succeeding year property tax | 6,450,596 | - | 6,450,596 |
| Long term liabilities: | | | |
| Portion due within one year: | | | |
| Early retirement | 65,532 | - | 65,532 |
| General obligation bonds | 185,000 | - | 185,000 |
| Revenue bonds | 688,086 | - | 688,086 |
| Portion due after one year: | | | |
| Early retirement | 277,923 | - | 277,923 |
| Revenue bonds | 2,688,405 | - | 2,688,405 |
| Total liabilities | <u>11,334,615</u> | <u>3</u> | <u>11,334,618</u> |
| Net Assets | | | |
| Invested in capital assets, net of related debt | 9,471,732 | 77,553 | 9,549,285 |
| Restricted for: | | | |
| Management fund | 300,349 | - | 300,349 |
| Debt service | 40,675 | - | 40,675 |
| Capital projects | 226,820 | - | 226,820 |
| Unrestricted | 934,632 | 113,165 | 1,047,797 |
| Total net assets | <u>10,974,208</u> | <u>190,718</u> | <u>11,164,926</u> |

See notes to financial statements.

OKOBOJI COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2006

| | Program Revenues | | | | | Total |
|---|------------------|---------------------|---|-------------------------|--------------------------|--------------------|
| | Expenses | Charges for Service | Operating Grants, Contributions and Restricted Interest | Governmental Activities | Business Type Activities | |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Functions/Programs | | | | | | |
| Governmental activities: | | | | | | |
| Instruction: | <u>5,548,297</u> | <u>476,789</u> | <u>830,854</u> | <u>(4,240,654)</u> | <u>-</u> | <u>(4,240,654)</u> |
| Support services: | | | | | | |
| Student services | 474,575 | - | - | (474,575) | - | (474,575) |
| Instructional staff services | 558,304 | - | - | (558,304) | - | (558,304) |
| Administration services | 787,710 | - | - | (787,710) | - | (787,710) |
| Operation and maintenance of plant services | 751,089 | - | 17,330 | (733,759) | - | (733,759) |
| Transportation services | <u>299,906</u> | <u>-</u> | <u>-</u> | <u>(299,906)</u> | <u>-</u> | <u>(299,906)</u> |
| | <u>2,871,584</u> | <u>-</u> | <u>17,330</u> | <u>(2,854,254)</u> | <u>-</u> | <u>(2,854,254)</u> |
| Other expenditures: | | | | | | |
| Facilities acquisition | 77,374 | - | 25,096 | (52,278) | - | (52,278) |
| Interest on long-term debt | 136,667 | - | 3,150 | (133,517) | - | (133,517) |
| Long-term debt services | 300 | - | - | (300) | - | (300) |
| AEA flowthrough | 288,255 | - | 288,255 | - | - | - |
| Depreciation (unallocated)* | <u>599,825</u> | <u>-</u> | <u>-</u> | <u>(599,825)</u> | <u>-</u> | <u>(599,825)</u> |
| | <u>1,102,421</u> | <u>-</u> | <u>316,501</u> | <u>(785,920)</u> | <u>-</u> | <u>(785,920)</u> |
| Total governmental activities | 9,522,302 | 476,789 | 1,164,685 | (7,880,828) | - | (7,880,828) |

OKOBOJI COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2006

| | Program Revenues | | | | |
|--|------------------------|--|----------------------------|-----------------------------|------------|
| | | Operating Grants, Contributions and Restricted Interest | Governmental Activities | Business Type Activities | Total |
| Expenses | Charges for Service | | | | |
| \$ | \$ | \$ | \$ | \$ | \$ |
| Business type activities: | | | | | |
| Non-instructional programs: | | | | | |
| Nutrition services | 311,585 | 165,992 | 148,768 | - | 3,175 |
| | | | | | |
| Total | 9,833,887 | 642,781 | 1,313,453 | (7,880,828) | 3,175 |
| | | | | | |
| General revenues: | | | | | |
| Property tax levied for: | | | | | |
| General purposes | | | 5,074,682 | - | 5,074,682 |
| Management Fund | | | 194,240 | - | 194,240 |
| Capital outlay | | | 201,439 | - | 201,439 |
| Debt service | | | 364,262 | - | 364,262 |
| Income surtax | | | 135,399 | - | 135,399 |
| School Infrastructure Local Option Sales Tax | | | 899,955 | - | 899,955 |
| Unrestricted state grants | | | 1,470,117 | - | 1,470,117 |
| Unrestricted investment earnings | | | 60,732 | - | 60,732 |
| Other | | | 74,678 | - | 74,678 |
| | | | | | |
| Total general revenue | | | 8,475,504 | - | 8,475,504 |
| | | | | | |
| Change in net assets | | | 594,676 | 3,175 | 597,851 |
| | | | | | |
| Net assets beginning of year | | | 10,379,532 | 187,543 | 10,567,075 |
| | | | | | |
| Net assets end of year | | | 10,974,208 | 190,718 | 11,164,926 |

* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

OKOBOJI COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2006

| | General | Debt Service | Capital Projects | Nonmajor Special Revenue | Total |
|--|------------------|-----------------|---------------------|--------------------------------|------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Assets | | | | | |
| Cash and pooled investments | 1,640,409 | 37,380 | 134,488 | 500,825 | 2,313,102 |
| Receivables: | | | | | |
| Property tax: | | | | | |
| Current year | 42,508 | 3,295 | - | 3,441 | 49,244 |
| Succeeding year | 5,799,887 | 187,128 | - | 463,581 | 6,450,596 |
| Income surtax - succeeding year | 85,212 | - | - | - | 85,212 |
| Due from other governments | 108,170 | - | 93,585 | - | 201,755 |
| Other receivables | 2,962 | - | - | - | 2,962 |
| Total assets | <u>7,679,148</u> | <u>227,803</u> | <u>228,073</u> | <u>967,847</u> | <u>9,102,871</u> |
| Liabilities and Fund Balances | | | | | |
| Liabilities: | | | | | |
| Accounts payable | 242,625 | - | 1,253 | 19,781 | 263,659 |
| Accrued payroll and benefits | 715,121 | - | - | - | 715,121 |
| Deferred revenue: | | | | | |
| Succeeding year property tax | 5,799,887 | 187,128 | - | 463,581 | 6,450,596 |
| Succeeding year income surtax | 85,212 | - | - | - | 85,212 |
| Total liabilities | <u>6,842,845</u> | <u>187,128</u> | <u>1,253</u> | <u>483,362</u> | <u>7,514,588</u> |
| Fund balances: | | | | | |
| Reserved for: | | | | | |
| Debt service | - | 40,675 | - | - | 40,675 |
| Capital projects | - | - | 226,820 | - | 226,820 |
| Unreserved | 836,303 | - | - | 484,485 | 1,320,788 |
| Total fund balances | <u>836,303</u> | <u>40,675</u> | <u>226,820</u> | <u>484,485</u> | <u>1,588,283</u> |
| Total liabilities and fund balances | <u>7,679,148</u> | <u>227,803</u> | <u>228,073</u> | <u>967,847</u> | <u>9,102,871</u> |

See notes to financial statements.

OKOBOJI COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2006

| | | |
|--|--------------------|----------------------|
| Total fund balances of governmental funds (Exhibit C) | | \$ 1,588,283 |
| Amounts reported for governmental activities in the statement of net assets are different because: | | |
| Income surtax receivable at June 30, 2006 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets. | | 85,212 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. | | 13,033,223 |
| An internal service fund is used by the District's management to charge the costs of the employee flexible benefit program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities. | | 172,729 |
| Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. | | (293) |
| Long-term liabilities, including compensated absences and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. | | |
| Early retirement | \$ (343,455) | |
| General obligation bonds | (185,000) | |
| Revenue bonds | <u>(3,376,491)</u> | <u>(3,904,946)</u> |
| Net assets of governmental activities (Exhibit A) | | <u>\$ 10,974,208</u> |

See notes to financial statements.

OKOBOJI COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2006

| | General | Debt Service | Capital Projects | Nonmajor Special Revenue | Total |
|--|------------------|------------------|---------------------|--------------------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Revenues: | | | | | |
| Local sources: | | | | | |
| Local tax | 5,206,869 | 364,262 | 899,955 | 395,679 | 6,866,765 |
| Tuition | 471,660 | - | - | - | 471,660 |
| Other | 140,539 | 2,956 | 25,096 | 232,941 | 401,532 |
| State sources | 2,084,898 | 194 | - | 211 | 2,085,303 |
| Federal sources | 288,506 | - | - | - | 288,506 |
| Total revenues | <u>8,192,472</u> | <u>367,412</u> | <u>925,051</u> | <u>628,831</u> | <u>10,113,766</u> |
| Expenditures: | | | | | |
| Instruction | <u>5,349,360</u> | <u>-</u> | <u>3,508</u> | <u>316,476</u> | <u>5,669,344</u> |
| Support services: | | | | | |
| Student services | 474,575 | - | - | - | 474,575 |
| Instructional staff services | 298,468 | - | 206,783 | 53,053 | 558,304 |
| Administration services | 745,669 | - | 1,015 | 41,026 | 787,710 |
| Operation and maintenance of plant services | 695,623 | - | - | 55,466 | 751,089 |
| Transportation services | <u>254,836</u> | <u>-</u> | <u>34,720</u> | <u>72,217</u> | <u>361,773</u> |
| | <u>2,469,171</u> | <u>-</u> | <u>242,518</u> | <u>221,762</u> | <u>2,933,451</u> |
| Other expenditures: | | | | | |
| Facilities acquisition and construction services | - | - | 897,860 | 161,017 | 1,058,877 |
| Principal on long-term debt | - | 973,509 | - | - | 973,509 |
| Interest on long-term debt | - | 137,064 | - | - | 137,064 |
| Long-term debt services | - | 300 | - | - | 300 |
| AEA flowthrough | <u>288,255</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>288,255</u> |
| | <u>288,255</u> | <u>1,110,873</u> | <u>897,860</u> | <u>161,017</u> | <u>2,458,005</u> |
| Total expenditures | <u>8,106,786</u> | <u>1,110,873</u> | <u>1,143,886</u> | <u>699,255</u> | <u>11,060,800</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>85,686</u> | <u>(743,461)</u> | <u>(218,835)</u> | <u>(70,424)</u> | <u>(947,034)</u> |
| Other financing sources (uses): | | | | | |
| Operating transfers in | - | 737,290 | - | - | 737,290 |
| Operating transfers out | <u>-</u> | <u>-</u> | <u>(737,290)</u> | <u>-</u> | <u>(737,290)</u> |
| Total other financing sources (uses) | <u>-</u> | <u>737,290</u> | <u>(737,290)</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | 85,686 | (6,171) | (956,125) | (70,424) | (947,034) |
| Fund balances beginning of year | <u>750,617</u> | <u>46,846</u> | <u>1,182,945</u> | <u>554,909</u> | <u>2,535,317</u> |
| Fund balances end of year | <u>836,303</u> | <u>40,675</u> | <u>226,820</u> | <u>484,485</u> | <u>1,588,283</u> |

See notes to financial statements.

OKOBOJI COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2006

Net change in fund balances - total governmental funds (Exhibit E) \$ (947,034)

**Amounts reported for governmental activities in the
statement of activities are different because:**

Income surtax receivable at June 30, 2005 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities.

3,212

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

| | | |
|----------------------|------------------|---------|
| Capital outlays | \$ 1,043,370 | |
| Depreciation expense | <u>(599,825)</u> | 443,545 |

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

| | | |
|--------|----------------|---------|
| Repaid | <u>973,509</u> | 973,509 |
|--------|----------------|---------|

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is reported as an expenditure in the funds when due. In the Statement of Activities, interest expense is recorded as the interest accrues, regardless of when it is due.

397

An internal service fund is used by the District to charge the costs of the employee flexible benefit program to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.

161,431

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

| | | |
|----------------------------|---------------|-----------------|
| Early retirement additions | (112,653) | |
| Early retirement payments | <u>72,269</u> | <u>(40,384)</u> |

Change in net assets of governmental activities (Exhibit B) \$ 594,676

See notes to financial statements.

OKOBOJI COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2006

| | Enterprise Fund | Governmental Activities |
|---|---------------------|----------------------------|
| | School Nutrition | Internal Service |
| | \$ | |
| Assets | | |
| Cash and pooled investments | 101,473 | 172,729 |
| Inventories | 11,695 | - |
| Capital assets, net of accumulated depreciation | 77,553 | - |
| Total assets | 190,721 | 172,729 |
| Liabilities | | |
| Accounts payable | 3 | - |
| Net Assets | | |
| Invested in capital assets, net of related debt | 77,553 | - |
| Unrestricted | 113,165 | 172,729 |
| Total net assets | 190,718 | 172,729 |

See notes to financial statements.

OKOBOJI COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds

Year ended June 30, 2006

| | Business Type | Governmental Activities |
|------------------------------|-----------------------|----------------------------|
| | School Nutrition | Internal Service |
| | \$ | \$ |
| Operating revenue: | | |
| Local sources: | | |
| Charges for services | <u>165,992</u> | <u>1,040,070</u> |
| Operating expenses: | | |
| Non-instructional programs: | | |
| Food service operations: | | |
| Salaries | 105,026 | - |
| Benefits | 36,272 | - |
| Services | 3,948 | - |
| Supplies | 162,159 | - |
| Depreciation | <u>4,180</u> | <u>-</u> |
| | <u>311,585</u> | <u>-</u> |
| Internal service programs: | | |
| Benefits | - | 878,639 |
| Total operating expenses | <u>311,585</u> | <u>878,639</u> |
| Operating profit (loss) | <u>(145,593)</u> | <u>161,431</u> |
| Non-operating revenues: | | |
| Local sources | 3,744 | - |
| State sources | 4,482 | - |
| Federal sources | <u>140,542</u> | <u>-</u> |
| | <u>148,768</u> | <u>-</u> |
| Net change in assets | 3,175 | 161,431 |
| Net assets beginning of year | <u>187,543</u> | <u>11,298</u> |
| Net assets end of year | <u><u>190,718</u></u> | <u><u>172,729</u></u> |

See notes to financial statements.

OKOBOJI COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2006

| | <u>Enterprise</u> | <u>Internal</u> |
|---|-----------------------|-----------------------|
| | <u>School</u> | <u>Service</u> |
| | <u>Nutrition</u> | <u>Health</u> |
| | \$ | \$ |
| Cash flows from operating activities: | | |
| Cash received from sale of services | 165,992 | 1,040,070 |
| Cash payments to employees for services | (141,298) | (878,639) |
| Cash payments to suppliers for goods or services | (144,622) | - |
| Net cash provided by (used in) operating activities | <u>(119,928)</u> | <u>161,431</u> |
| Cash flows from non-capital financing activities: | | |
| State grants received | 4,482 | - |
| Federal grants received | 116,670 | - |
| Net cash provided by non-capital financing activities | <u>121,152</u> | <u>-</u> |
| Cash flows from capital financing activities: | | |
| Acquisition of fixed assets | (2,552) | - |
| Cash flows from capital financing activities: | | |
| Interest on investments | <u>3,744</u> | <u>-</u> |
| Net increase (decrease) in cash and cash equivalents | 2,416 | 161,431 |
| Cash and cash equivalents beginning of year | <u>99,057</u> | <u>11,298</u> |
| Cash and cash equivalents end of year | <u><u>101,473</u></u> | <u><u>172,729</u></u> |
| Reconciliation of operating income (loss) to net cash used in operating activities: | | |
| Operating income (loss) | (145,593) | 161,431 |
| Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities: | | |
| Depreciation | 4,180 | - |
| Commodities used | 23,872 | - |
| (Increase) in inventory | (2,390) | - |
| Increase in accounts payable | 3 | - |
| | <u>(119,928)</u> | <u>161,431</u> |
| Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet: | | |
| Current assets: | | |
| Cash | <u>101,473</u> | <u>172,729</u> |

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received federal commodities valued at \$23,872.

See notes to financial statements.

OKOBOJI COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2006

| | Private Purpose Trust | Scholarship and Special Needs |
|---------------------------|-----------------------------|-------------------------------------|
| | | \$ |
| Assets | | |
| Cash | | 31,371 |
| Liabilities | | - |
| Net assets | | |
| Reserved for scholarships | | 29,580 |
| Unreserved | | 1,791 |
| Total net assets | | 31,371 |

See notes to financial statements.

OKOBOJI COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2006

| | Private Purpose Trust | Scholarship and Special Needs |
|------------------------------|-----------------------------|-------------------------------------|
| | | \$ |
| Additions: | | |
| Local sources: | | |
| Interest on investments | | 28 |
| Contributions | | 7,478 |
| Total additions | | 7,506 |
| Deductions: | | |
| Support services: | | |
| Other | | 6,470 |
| Total deductions | | 6,470 |
| Change in net assets | | 1,036 |
| Net assets beginning of year | | 30,335 |
| Net assets end of year | | 31,371 |

See notes to financial statements.

OKOBOJI COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies

Okoboji Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Milford, Arnolds Park, Fostoria, West Okoboji and Wahpeton, Iowa, and agricultural area in Dickinson and Clay Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Okoboji Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Okoboji Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Dickinson County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Debt Service Fund is used to account for the payment of interest and principal on the District's long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary funds:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The internal service fund is also reported as a proprietary fund. The internal service fund is used to account for the District's employee benefit cafeteria plan.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards and the purchase of items for students with personal needs.

C. Measurement Focus and Basis of Accounting

The government-wide and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected with 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2005.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa and grants from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

| <u>Asset Class</u> | <u>Amount</u> |
|-----------------------------------|---------------|
| Land | \$ - |
| Buildings | 2,500 |
| Improvements other than buildings | 2,500 |
| Furniture and equipment: | |
| School Nutrition Fund equipment | 500 |
| Other furniture and equipment | 1,000 |

Capital assets are depreciated using the straight line method over the following estimated useful lives:

| <u>Asset Class</u> | <u>Estimated Useful Lives (In Years)</u> |
|-----------------------------------|--|
| Buildings | 50 years |
| Improvements other than buildings | 20 years |
| Furniture and equipment | 5-12 years |

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2006.

Fund Balance - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Expenditures exceeded the amounts budgeted in the support services and other expenditures functions.

(2) Cash and Investments

The District's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2006.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2006 was as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|--|---------------------------------|------------------|----------------|---------------------------|
| | \$ | \$ | \$ | \$ |
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | <u>137,016</u> | <u>111,639</u> | <u>-</u> | <u>248,655</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 15,801,133 | 122,829 | 514,786 | 15,409,176 |
| Improvements other than buildings | 861,698 | 272,331 | - | 1,134,029 |
| Furniture and Equipment | 1,700,183 | 452,344 | - | 2,152,527 |
| Construction in progress | - | 599,013 | - | 599,013 |
| Total capital assets being depreciated | <u>18,363,014</u> | <u>1,446,517</u> | <u>514,786</u> | <u>19,294,745</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 4,198,225 | 336,452 | - | 4,534,677 |
| Improvements other than buildings | 416,032 | 50,825 | - | 466,857 |
| Furniture and Equipment | <u>1,296,095</u> | <u>212,548</u> | <u>-</u> | <u>1,508,643</u> |
| Total accumulated depreciation | <u>5,910,352</u> | <u>599,825</u> | <u>-</u> | <u>6,510,177</u> |
| Total capital assets being depreciated, net | <u>12,452,662</u> | <u>846,692</u> | <u>514,786</u> | <u>12,784,568</u> |
| Governmental activities, capital assets, net | <u>12,589,678</u> | <u>958,331</u> | <u>514,786</u> | <u>13,033,223</u> |
| Business type activities: | | | | |
| Furniture and equipment | 273,383 | 2,552 | - | 275,935 |
| Less accumulated depreciation | <u>194,202</u> | <u>4,180</u> | <u>-</u> | <u>198,382</u> |
| Business type activities capital assets, net | <u>79,181</u> | <u>(1,628)</u> | <u>-</u> | <u>77,553</u> |
| Depreciation expense was charged to the following functions: | | | | |
| Governmental activities: | | | | |
| Unallocated | | | | <u>599,825</u> |
| Business Type activities: | | | | |
| Food service operations | | | | <u>4,180</u> |

(4) General Obligation Bonds Payable

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

| Year Ending June 30, | Interest Rate | Principal | Interest | Total |
|----------------------------|------------------|----------------|--------------|----------------|
| | % | \$ | \$ | |
| 2007 | 1.90 | <u>185,000</u> | <u>1,758</u> | <u>186,758</u> |

(5) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2006 is as follows:

| | Early Retirement | General Obligation Bonds | Revenue Bonds | Total |
|---------------------------|---------------------|--------------------------------|------------------|------------------|
| | \$ | \$ | \$ | \$ |
| Balance beginning of year | 303,071 | 550,000 | 3,985,000 | 4,838,071 |
| Additions | 112,653 | - | - | 112,653 |
| Reductions | <u>72,269</u> | <u>365,000</u> | <u>608,509</u> | <u>1,045,778</u> |
| Balance end of year | <u>343,455</u> | <u>185,000</u> | <u>3,376,491</u> | <u>3,904,946</u> |

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$274,688, \$258,089, and \$242,216 respectively, equal to the required contributions for each year.

(7) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$288,255 for year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(8) Early Retirement

The District offers a voluntary early retirement program plan to all its certified employees. Eligible employees must be at least age fifty-four by October 1, 2005 and must have completed fifteen years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives include the payment of health insurance premiums, at a fixed amount, by the District until age sixty-five. Early retirement expenditures for the year ended June 30, 2006 totaled \$72,269.

(9) Revenue Bonds Payable

Details of the District's June 30, 2006 local option sales and services tax revenue bonded indebtedness are as follows:

| Year Ending June 30, | Bond Issue of June 2005 | | | |
|----------------------------|-------------------------|------------------|----------------|------------------|
| | Interest Rate % | Principal \$ | Interest \$ | Total \$ |
| 2007 | 3.757 | 688,086 | 114,872 | 802,958 |
| 2008 | 3.757 | 714,338 | 88,620 | 802,958 |
| 2009 | 3.757 | 741,591 | 61,367 | 802,958 |
| 2010 | 3.757 | 769,884 | 33,074 | 802,958 |
| 2011 | 3.757 | <u>462,592</u> | <u>5,800</u> | <u>468,392</u> |
| | | <u>3,376,491</u> | <u>303,733</u> | <u>3,680,224</u> |

The local option sales and services tax revenue bonds were issued for the purpose of

defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. The debt, however, is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option sales and services revenue bonds include the following provisions:

- The bonds will only be redeemed from the future earnings of the local option sales tax revenues received by the District and the bond holders hold a lien on the future revenues received.
- Bonds maturing after January 1, 2008, from the May 1, 2001 issue will be called for redemption by the issuer and paid before maturity on said date. The District issued \$3,985,000 of new revenue bonds on June 30, 2006 to pay off the Anticipation Note and the old bond issue. As of June 30, 2006 \$2,785,000 of the May 1, 2001 issue are considered to be defeased sufficient funds have been placed in trust accounts to service this debt.
- \$398,500 of the proceeds from the bond issue have been placed in a reserve account. The reserve account may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The reserve is part of the District's Debt Service Fund.
- Proceeds from the local option sales and services tax shall be placed in an account that shall be used to pay the interest and principal on the bonds. Any surplus monies remaining in the revenue fund at the end of a quarter may be used for any lawful purpose for which the local option sales tax may be used or may be used to redeem the bonds in accordance with their terms. The fund is part of the Debt Service Fund.

(10) Interfund Transfers

The detail of Interfund transfers for the year ended June 30, 2006 is as follows:

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u> |
|--------------------|----------------------|------------------|
| Debt Service | Capital Projects | <u>\$737,290</u> |

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(11) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Required Supplementary Information

OKOBOJI COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2006

| | Governmental Fund Types | Proprietary Fund Type | Total | Budgeted Amounts | | Final to Actual Variance - Positive (Negative) |
|--|----------------------------|--------------------------|-------------------|-------------------|-------------------|--|
| | Actual | Actual | Actual | Original | Final | |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenues: | | | | | | |
| Local sources | 7,739,957 | 169,736 | 7,909,693 | 8,016,294 | 8,016,294 | (106,601) |
| State sources | 2,085,303 | 4,482 | 2,089,785 | 2,229,546 | 2,229,546 | (139,761) |
| Federal sources | 288,506 | 140,542 | 429,048 | 533,000 | 533,000 | (103,952) |
| Total revenues | <u>10,113,766</u> | <u>314,760</u> | <u>10,428,526</u> | <u>10,778,840</u> | <u>10,778,840</u> | <u>(350,314)</u> |
| Expenditures: | | | | | | |
| Instruction | 5,669,344 | - | 5,669,344 | 6,303,076 | 6,303,076 | 633,732 |
| Support services | 2,933,451 | - | 2,933,451 | 2,525,000 | 2,852,000 | (81,451) |
| Non-instructional programs | - | 311,585 | 311,585 | 350,000 | 350,000 | 38,415 |
| Other expenditures | 2,458,005 | - | 2,458,005 | 1,478,464 | 2,178,464 | (279,541) |
| Total expenditures | <u>11,060,800</u> | <u>311,585</u> | <u>11,372,385</u> | <u>10,656,540</u> | <u>11,683,540</u> | <u>311,155</u> |
| Excess (deficiency) of revenues over (under) expenditures | (947,034) | 3,175 | (943,859) | 122,300 | (904,700) | (39,159) |
| Other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>(480,000)</u> | <u>(480,000)</u> | <u>480,000</u> |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses | (947,034) | 3,175 | (943,859) | (357,700) | (1,384,700) | 440,841 |
| Balance beginning of year | <u>2,535,317</u> | <u>187,543</u> | <u>2,722,860</u> | <u>2,648,470</u> | <u>2,648,470</u> | <u>74,390</u> |
| Balance end of year | <u>1,588,283</u> | <u>190,718</u> | <u>1,779,001</u> | <u>2,290,770</u> | <u>1,263,770</u> | <u>515,231</u> |

See accompanying independent auditor's report.

OKOBOJI COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. The District amended the budget once during the year increasing budgeted expenditures by \$1,027,000.

During the year ended June 30, 2006, expenditures exceeded the amount budgeted in the support services and other expenditures functions. The District did not exceed the General Fund unspent authorized budget.

Other Supplementary Information

OKOBOJI COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2006

| | Management | Student Activity | Physical Plant and Equipment Levy | Total |
|---|----------------|---------------------|--|----------------|
| | \$ | \$ | \$ | \$ |
| Assets | | | | |
| Cash and investments | 299,483 | 121,904 | 79,438 | 500,825 |
| Property tax receivable: | | | | |
| Current year | 1,640 | - | 1,801 | 3,441 |
| Succeeding year | 215,000 | - | 248,581 | 463,581 |
| Other receivables | - | - | - | - |
| Total assets | <u>516,123</u> | <u>121,904</u> | <u>329,820</u> | <u>967,847</u> |
| Liabilities and Fund Balance | | | | |
| Liabilities: | | | | |
| Accounts payable | 774 | 1,564 | 17,443 | 19,781 |
| Deferred revenue: | | | | |
| Succeeding year property tax | 215,000 | - | 248,581 | 463,581 |
| | <u>215,774</u> | <u>1,564</u> | <u>266,024</u> | <u>483,362</u> |
| Fund balance: | | | | |
| Unreserved fund balance | 300,349 | 120,340 | 63,796 | 484,485 |
| | <u>300,349</u> | <u>120,340</u> | <u>63,796</u> | <u>484,485</u> |
| Total liabilities and fund balance | <u>516,123</u> | <u>121,904</u> | <u>329,820</u> | <u>967,847</u> |

See accompanying independent auditor's report.

OKOBOJI COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds

Year ended June 30, 2006

| | Management | Student | Physical Plant and Equipment Levy | Total |
|--|-----------------------|-----------------------|--|-----------------------|
| | \$ | \$ | \$ | \$ |
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | 194,240 | - | 201,439 | 395,679 |
| Other | 15,834 | 215,822 | 1,285 | 232,941 |
| State sources | 105 | - | 106 | 211 |
| Total revenues | <u>210,179</u> | <u>215,822</u> | <u>202,830</u> | <u>628,831</u> |
| Expenditures: | | | | |
| Instruction: | 98,548 | 209,039 | 8,889 | 316,476 |
| Support services: | | | | |
| Student support services | - | - | - | - |
| Instructional staff support | - | - | 53,053 | 53,053 |
| Administration services | 32,200 | - | 8,826 | 41,026 |
| Plant operation and maintenance | 51,564 | - | 3,902 | 55,466 |
| Student transportation | 10,350 | - | 61,867 | 72,217 |
| Other expenditures: | | | | |
| Facilities acquisition and construction | - | - | 161,017 | 161,017 |
| Total expenditures | <u>192,662</u> | <u>209,039</u> | <u>297,554</u> | <u>699,255</u> |
| Excess (deficiency) of revenues over (under) expenditures | 17,517 | 6,783 | (94,724) | (70,424) |
| Fund balances beginning of year | <u>282,832</u> | <u>113,557</u> | <u>158,520</u> | <u>554,909</u> |
| Fund balances end of year | <u><u>300,349</u></u> | <u><u>120,340</u></u> | <u><u>63,796</u></u> | <u><u>484,485</u></u> |

See accompanying independent auditor's report.

OKOBOJI COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2006

| Account | Balance Beginning of Year | Revenues | Expenditures | Balance End of Year |
|-------------------------|---------------------------------|----------|--------------|---------------------------|
| | \$ | \$ | \$ | \$ |
| All School Play | 936 | 1,025 | 601 | 1,360 |
| HS Debate | 4,568 | 2,302 | 5,227 | 1,643 |
| Show Choir | 53 | 6,711 | 4,621 | 2,143 |
| Jazz Band | 418 | 11,143 | 10,146 | 1,415 |
| Musical | - | 2,500 | 1,878 | 622 |
| Cross Country | 821 | 1,123 | 184 | 1,760 |
| Golf | 271 | 889 | 1,149 | 11 |
| Boys Basketball | 4,064 | 10,125 | 8,463 | 5,726 |
| Football | 5,884 | 6,522 | 9,839 | 2,567 |
| Baseball | 195 | 10,096 | 9,728 | 563 |
| Boys Track | 298 | 3,763 | 3,390 | 671 |
| Wrestling | 1,183 | 8,546 | 6,202 | 3,527 |
| Girls Basketball | 4,190 | 4,641 | 3,202 | 5,629 |
| Volleyball | 447 | 6,862 | 5,853 | 1,456 |
| Softball | 949 | 14,500 | 15,449 | - |
| Girls Track | 1,303 | 2,914 | 2,328 | 1,889 |
| MS Activity/Concessions | 586 | 6,117 | 4,363 | 2,340 |
| Class of 2003 | 313 | - | - | 313 |
| Class of 2004 | 560 | - | - | 560 |
| Class of 2005 | 165 | - | 94 | 71 |
| Class of 2006 | 198 | 752 | 361 | 589 |
| Class of 2007 | 649 | 2,963 | 3,169 | 443 |
| Class of 2008 | 416 | 349 | - | 765 |
| Class of 2009 | - | 334 | - | 334 |
| Pictures | 456 | - | - | 456 |
| Activity Tickets | 1,699 | 10,756 | 11,390 | 1,065 |
| Interest | 987 | 5,213 | 2,928 | 3,272 |
| Concessions | 2,081 | 17,861 | 19,064 | 878 |
| Student Pop | 13,671 | 16,680 | 21,190 | 9,161 |
| Pioneer Club | 6,605 | 20,802 | 21,748 | 5,659 |
| Student Council | 1,080 | 1,301 | 838 | 1,543 |
| Student Council Milk | 945 | 3,327 | 3,009 | 1,263 |
| Cheerleaders | 1,296 | 1,579 | 2,827 | 48 |
| Drill Team | 2,128 | 4,682 | 4,678 | 2,132 |
| Annual | 8,439 | 10,591 | 13,747 | 5,283 |
| Spanish Club | 8,780 | 11,606 | 6,867 | 13,519 |
| Science Club | 1,160 | 20 | - | 1,180 |
| FFA | 10,610 | 23,458 | 20,763 | 13,305 |
| Culinary Arts | 792 | 1,745 | 1,901 | 636 |
| Thespian Club | 3,717 | 375 | 80 | 4,012 |
| Art Appreciation | 736 | 780 | 334 | 1,182 |
| Junior Magazine Sales | - | 5,312 | 5,312 | - |
| Academic Awards | 180 | 693 | 873 | - |
| Key Club | 1,825 | 1,408 | 2,024 | 1,209 |

OKOBOJI COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2006

| Account | Balance Beginning of Year \$ | Revenues \$ | Expenditures \$ | Balance End of Year \$ |
|-----------------------------|---------------------------------------|-----------------|--------------------|---------------------------------|
| HS Spec Ed Club | 855 | 979 | 439 | 1,395 |
| Business Club | 1,081 | 6,158 | 7,239 | - |
| Elementary | 11,762 | 1,375 | 1,394 | 11,743 |
| EL/MS Special Ed Club | 1,706 | 813 | 127 | 2,392 |
| OES Project Goodwill | - | 1,500 | 1,500 | - |
| Elementary Software | 880 | - | - | 880 |
| Elementary K-Kids Club | 443 | - | 121 | 322 |
| MS Student Senate | 1,091 | 976 | 659 | 1,408 |
| MS Builders Club | 85 | 415 | 500 | - |
| | <u>113,557</u> | <u>254,582</u> | <u>247,799</u> | <u>120,340</u> |
| Less interaccount transfers | | <u>(38,760)</u> | <u>(38,760)</u> | |
| Totals | <u>113,557</u> | <u>215,822</u> | <u>209,039</u> | <u>120,340</u> |

See accompanying independent auditor's report.

OKOBOJI COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

| | Years ended June 30, | | | |
|--|----------------------|-------------------|-------------------|------------------|
| | 2006 | 2005 | 2004 | 2003 |
| | \$ | \$ | \$ | \$ |
| Local sources: | | | | |
| Local tax | 6,866,765 | 6,522,808 | 6,212,458 | 5,792,852 |
| Tuition | 471,660 | 404,145 | 271,723 | 254,818 |
| Other | 401,532 | 361,779 | 374,327 | 658,826 |
| State sources | 2,085,303 | 2,250,304 | 2,070,348 | 2,624,186 |
| Federal sources | <u>288,506</u> | <u>120,445</u> | <u>135,627</u> | <u>138,320</u> |
| Total revenues | <u>10,113,766</u> | <u>9,659,481</u> | <u>9,064,483</u> | <u>9,469,002</u> |
| Expenditures: | | | | |
| Instruction: | 5,669,344 | 5,367,848 | 5,269,470 | 4,946,804 |
| Support services: | | | | |
| Student services | 474,575 | 298,795 | 304,356 | 270,377 |
| Instructional support services | 558,304 | 265,083 | 250,005 | 229,762 |
| Administration services | 787,710 | 801,969 | 733,467 | 684,537 |
| Operation and maintenance of plant services | 751,089 | 716,128 | 640,696 | 545,513 |
| Transportation services | 361,773 | 226,331 | 289,369 | 194,993 |
| Other expenditures: | | | | |
| Facilities acquisition and construction | 1,058,877 | 962,361 | 4,212,315 | 1,804,749 |
| Long-term debt: | | | | |
| Principal | 973,509 | 1,205,000 | 685,000 | 655,000 |
| Interest and other charges | 137,364 | 267,554 | 203,522 | 254,540 |
| AEA flowthrough | <u>288,255</u> | <u>290,336</u> | <u>285,224</u> | <u>298,783</u> |
| Total expenditures | <u>11,060,800</u> | <u>10,401,405</u> | <u>12,873,424</u> | <u>9,885,058</u> |

See accompanying independent auditor's report.

**Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

To the Board of Education of the
Okoboji Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Okoboji Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 14, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Okoboji Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 06-I-A is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Okoboji Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Okoboji Community School District and other parties to whom Okoboji Community School District may report, including federal awarding agencies and pass through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Okoboji Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BRUCE D. FRINK
Certified Public Accountant

September 14, 2006

OKOBOJI COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

06-I-A Segregation of Duties - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged.

Part II: Other Findings Related to Required Statutory Reporting:

06-II-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2006.

06-II-B Certified Budget - Expenditures for the year ended June 30, 2006, exceeded the certified budget amounts in the support services and other expenditures functions.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

06-II-C Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

06-II-D Business Transactions - No business transactions between the District and District officials or employees were noted.

06-II-E Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

OKOBOJI COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

Part II: Other Findings Related to Required Statutory Reporting:
(continued):

- 06-II-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 06-II-G Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- 06-II-H Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- 06-II-I Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- 06-II-J Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.